

# 2016 C&D LANDFILL OPERATIONAL STRUCTURE ANALYSIS

*Goal: EVALUATE AND MANAGE THE CONSTRUCTION AND DEMOLITION LANDFILL IN THE MOST COST-EFFECTIVE MANNER IN ORDER TO COVER THE CITY'S LONG TERM LIABILITIES*

## **Brooks Landfill Revenue and Expense Analysis: Contractor vs. City Operation**

Prior to December 2015, Brooks Construction and Demolition (C&D) revenues and expenses were split between the City and the landfill's private contract operator, who cancelled their contract with the City effective December 2015. Under the City's operation, the *net revenue* in the first six months of 2016 was \$474,657: an **89% increase in net revenue** over the first six months of 2014 and 2015 (averaged).

## **Operational model & assumptions**

City staff analyzed several models for the future operation of Brooks Landfill. Each model is summarized below. The table shows the expected City revenue, cost, and Landfill Fund balance in 2047, when the C&D phase III cell would be filled based on the current rate of disposal.

### **Model 1: Permanent City Operations**

The City would transition from temporary to permanent operations using City staff and equipment. The nine temporary employees currently operating Brooks Landfill would become permanent.

### **Model 2: Split Revenue Contract**

The City would split revenue from tipping fees with a private contractor which operates the landfill.

### **Model 3: Flat Fee Contract**

The City would pay a private contract operator a flat annual fee to operate the landfill. Two City employees would run the scale house. The City would assume any risk of profit or loss.

### **Model 4: Fixed Revenue Contract**

A private contractor would operate Brooks Landfill and pay the City a fixed annual amount. The contractor would assume any risk of profit or loss.

### **Model 5: Close Brooks to the Public**

City staff would operate the landfill with reduced effort and accept only City-generated waste. City avoids waste disposal fees but loses revenue stream.

### **Model 6: Close Brooks Altogether**

City pays to dispose of City-generated C&D waste at an alternate landfill.

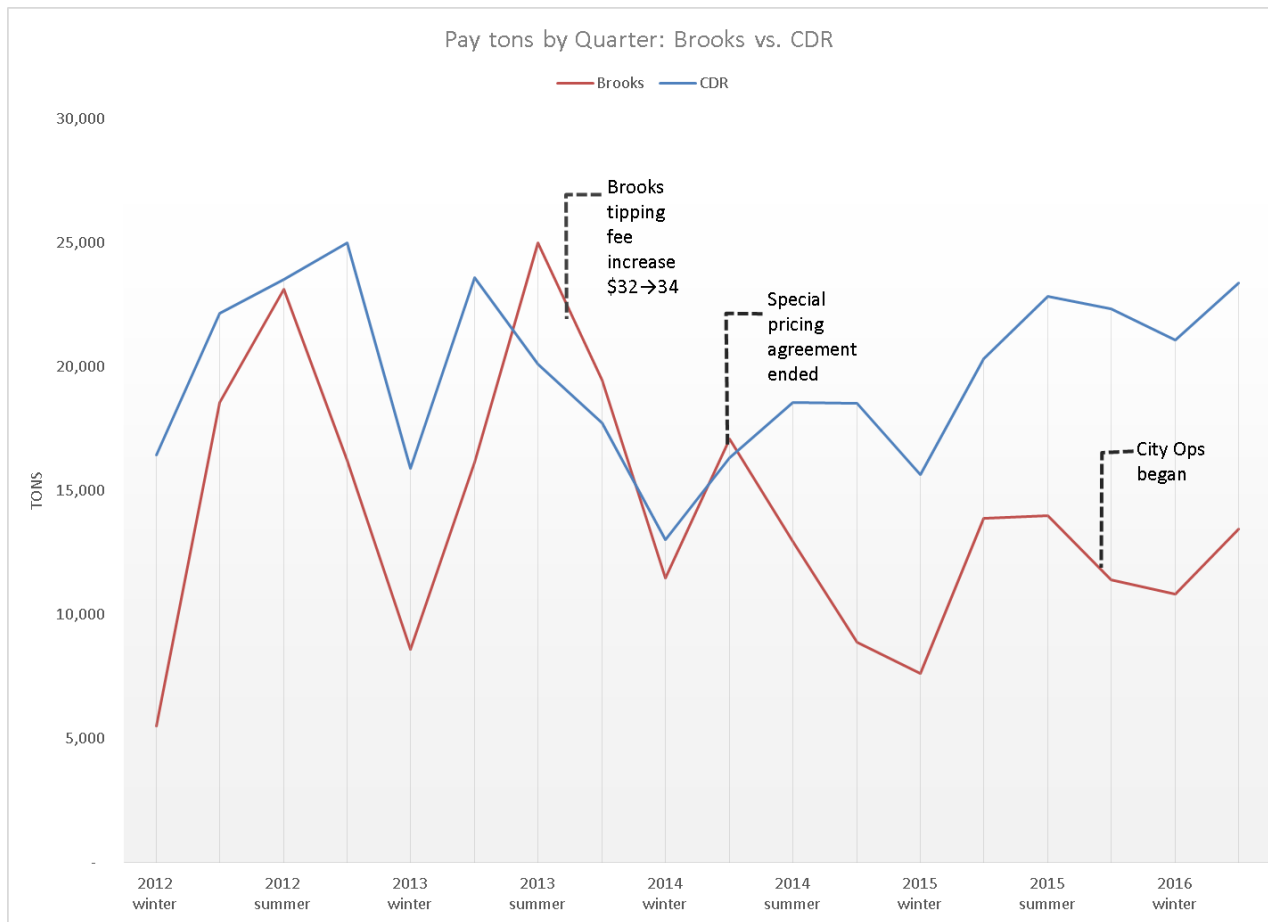
Approach	Revenue	Expenses	Liabilities	Total Net	Balance in 2047
City Operations	\$ 89M	\$ (47M)	\$ (58M)	\$ (16M)	\$ (1M)
Split Revenue	\$ 89M	\$ (59M)	\$ (58M)	\$ (28M)	\$ (13M)
Fixed Rate	\$ 89M	\$ (57M)	\$ (58M)	\$ (25M)	\$ (11M)
Fixed Revenue	\$ 89M	\$ (61M)	\$ (58M)	\$ (30M)	\$ (15M)
Close to Public	\$ -	\$ (23M)	\$ (58M)	\$ (81M)	\$ (66M)
Close	\$ -	\$ (74M)	\$ (54M)	\$ (128M)	\$ (113M)

The current Landfill fund balance is **\$14,631,517** (C&D Landfill Fund and Post Closure Fund). The "Balance in 2047" represents the effect of each model on the Fund balance over the life of Phases II and III using the following assumptions:

- Maintain current rate of disposal (50,000 tons/year)
- Revenues and expenses are adjusted for Consumer Price Index (CPI) and inflation (2.5%)
- Funding of **long-term landfill liabilities, including closure and post-closure care**
- Landfill Fund continues to support the **Public Property** and **Neighborhood Cleanup programs** at their current level (\$536,500 plus inflation)
- Landfill Fund fulfills the **\$1M commitment to Parks Department** for development of Crystal Prairie Lake Park

### **Market Share and Tipping Fee**

The current tipping fee at Brooks Landfill is \$34/ton, which was increased from \$32/ton on September 1, 2013. Brooks Landfill has received an average of 36% of the market share of C&D pay tons since the previous contractor ended their special pricing agreement with a private hauler in July 2014, compared to 46% of the market share in the preceding two years. Future tipping fee increases should be evaluated with respect to their potential impact on incoming volume, with a goal of preserving enough market share to cover the City's long-term liabilities.



### **Recommendation**

Based on the greater efficiency and higher revenue realized since the City took over operations of Brooks Landfill in December 2015, and because permanent City operations puts the City in the best long-term financial position, staff recommends that the City continue to operate Brooks Landfill internally. With City Council's direction, the nine temporary positions that were created in December 2015 will become permanent, and operations will continue. Staff will bring to the City Council a replacement for Resolution 13-152 which will remove language about the previous private contractor and allow the tipping fee to be automatically adjusted according to the CPI.